

## **Audit Committee – 28 September 2010**

### **Corporate Financial Performance 2010/11**

#### **1. Summary of report**

- 1.1 This report details the corporate financial performance for quarter 1 (to 30 June 2010) of the financial year, including financial pressures and their potential effect on year-end forecasts for both revenue and capital. The report highlights a revenue overspend of c£1.3m, the reasons for which are highlighted in the report. The capital programme is currently forecast to be underspent by c £8.8m due to rephasing and slippage of projects into 2011/12.

#### **2. Recommendations**

Audit Committee is requested to note the currently predicted year end forecasts and action being taken to address this.



James Walsh  
Chief Finance Officer

16 September 2010



Rory Borealis  
Executive Director (Resources)

16 September 2010

#### **3. Governance**

- 3.1 Managers are required to deliver their service targets and improvements within budget. Small variations are normal on a gross revenue budget of £747m. Monitoring of performance against budget takes place on a monthly basis with reports distributed to accountable officers. Corporate Financial Performance is reported to Cabinet throughout the financial year. Scrutiny panels and Audit Committee also receive quarterly position statements. The primary purpose of this report is to advise Audit Committee of the position and the mechanisms and controls by which the council is managing a challenging financial position in order to provide assurance to the Audit Committee in their role.
- 3.2 Where overspends are reported, these are required to be managed in year wherever possible. Corrective actions plans are drawn up and reported to Corporate Management Team, senior management teams and members. In addition, the council has a small contingency for use where service pressures arise after the budget is set – for example, introduction of legislation not known about when the budget was put together. The council has also established opening general reserves as set out in the Medium Term Financial Strategy (MTFS). Any call of reserves is required to be replenished in year or in the next budget round.

## 4. Resource and legal considerations

### 4.1 General Reserves

The budget for 2010/11 approved by Council on 22 February 2010 included replenishment to ensure that the opening reserves were in line with the medium term financial strategy. Pre-audit reserves at the start of the year were c£8.3m.

### 4.2 Progress of efficiencies/fees and charges/policy changes

Council on 22 February 2010 approved c£11.0m of new savings/efficiencies and increases in fees and charges. To date c£1.09m is not expected to be realised, which includes; c£0.1m Neighbourhood Services (Engineering and Street Pride), c£0.6m Resources (Shared Services, Communications and Programme Delivery) and c£0.2m Children's Services corporate parenting (looked after children). Executive Directors have identified action plans to mitigate these pressures in year.

### 4.3 Progress of spend approved for new investment in 2010/11

Council approved investment of c£9.3m which includes new investment and the full year effect of previously approved investment. To date this is projected to be fully utilised against the purpose for which it was given, apart from £0.180m for the expected reduction in housing benefit grant within Resources which will no longer be required, and was agreed as part of the in year budget savings as a result of the reduction in government grants.

### 4.4 Revenue Budget 2009/10

Managers currently reporting overspends are continuing to identify and take action to reduce spending. The main areas of overspend variance have are summarised in **Appendix 1**.

### 4.5 Forecast Analysis 2010/11: by type

**Table 1** illustrates the financial pressure by category of spend.

<b>Table 1 : Forecast analysis 2010/11 by spend type</b>		
	<b>June £m</b>	<b>Favourable /Adverse Compared to Budget</b>
Income	(0.007)	Favourable
Demographics/demand	1.543	Adverse
Contractual increases	0.069	Adverse
Salaries/Employees	(0.302)	Favourable
Supplies & Services	0.003	Adverse
Premises	0.003	Adverse
Transport	(0.003)	Favourable
Other	0.024	Adverse
<b>Total</b>	<b>1.330</b>	<b>Adverse</b>

#### 4.6 Forecast Analysis 2010/11: by Directorate

**Table 2** illustrates the financial pressure by Directorate.

<b>Table 2 : Forecast analysis 2010/11 by directorate</b>		
	<b>June £m</b>	<b>Favourable /Adverse Compared to Budget £m</b>
Regeneration	(0.034)	Favourable
Neighbourhood Services	0.166	Adverse
Resources	0.000	On budget
Children's Services	1.174	Adverse
Social Care & Inclusion	0.000	Favourable
Centrally held budgets	0.024	Adverse
<b>Total</b>	<b>1.330</b>	<b>Adverse</b>

#### 4.7 Capital Programme 2010/11

The capital programme approved by Council on 22 February 2010 totalled c£60.7m. Amendments have taken place since Council which are detailed in **Table 3** below, resulting in a revised programme of just under £102.2m.

<b>Table 3 : Amendments to Capital Programme 2010/11</b>	
	<b>£m</b>
<b>Programme as approved by Council 22 February 2010</b>	<b>60.739</b>
Slippage approved by Cabinet 9 June 2010	39.134
Bloxwich Townscape Heritage Initiative – confirmation of grant	0.041
Building Schools for the Future – new grant	0.570
Bus Showcase – confirmation of grant	0.020
Contributions to regeneration projects	0.090
Highfield Road North play area – confirmation of grant	0.002
Information for Social Care grant – confirmation of grant	0.149
Investing in Working Smarter – new grant	0.550
Mental Health – confirmation of grant	0.089
New Deal for Communities – confirmation of grant	1.016
New Opportunities Fund for PE and Sport – Walsall airport – confirmation of grant	0.007
Performance Reward Grant – new grant	0.400
Red Routes – confirmation of grant	(0.600)
Regional Housing Pot – confirmation of grant	(0.026)
Replacement of benefits system – confirmation of grant	0.006
Road safety partnership – loss of grant	(0.031)
Safer Stronger Communities grant - confirmation	(0.053)
Walsall gala baths dance studio – new grant	0.075
Waste Infrastructure capital grant – confirmation	0.013
Youth capital fund – confirmation of grant	0.005
<b>Revised Capital Programme</b>	<b>102.196</b>

- 4.8 The mainstream capital programme currently shows predicted an underspend of £8.8m mainly due to rephasing and slippage of projects into 2011/12.

## **5. Performance and risk management issues**

- 5.1 Managers are required to deliver service and improvement targets on time, to standard and within budget. The performance management system uses a red, amber, green (RAG) indicator to show the current status. The current position is amber but senior managers are tasked with reviewing this as part of directorate action plans to mitigate any pressures in year.
- 5.2 Risk management is embedded in budget preparation, monitoring and forecasting to enable potential budget variances and risks to be identified early and addressed. A number of assumptions have been made in the forecast figures by managers. There are risks attached to this that could impact adversely on the current position and which are being actively and robustly managed.

## **6. Equality implications**

- 6.1 None directly associated with this report.

## **7. Consultation**

- 7.1 The report is prepared in consultation with the Chief Finance Officer, relevant managers and executive directors.

## **8. Background papers**

- 8.1 Various financial performance and budget monitoring reports.

## **Contacts**

Vicky Buckley – Head of Corporate Finance,  
☎ 01922.652349, [buckleyv@walsall.gov.uk](mailto:buckleyv@walsall.gov.uk)

Jennie Collier – Senior Accountant  
☎ 01922.652966, [collierj@walsall.gov.uk](mailto:collierj@walsall.gov.uk)

**Service Variances in excess of £100,000**

**Neighbourhood Services +£0.166m**

- Engineering & Transportation +£0.15m – Forecast under-achievement of income expected of c£0.1m on Roadworks Management, and c£0.1m underachievement of car parking fee income, with minor variations in other services.

**Resources – net nil forecast**

- Business Support +c£0.7m – unachieved savings from the redesign of the service, which are expected to be eliminated in year by specific actions being taken to reduce spending by -c£0.8m.
- The above pressures are all offset by forecast underspends within Internal Audit (delay in filling posts), Electoral Services (non-essential restraint), Finance, (staffing), Procurement (staffing) and central costs for legal expenses.

**Children's Services +£1.174m**

- Vulnerable Children +c£0.3m – overspend predicted due to high numbers of agency staff covering vacancies and sickness.
- Children with Disabilities +c£0.2m – overspend due to increase in demand for service with high numbers of children with complex needs.
- Corporate Parenting +c£0.8m. Of this, +c£1.0m is due to high numbers of looked after children – previously 501, but during the year this number has increased to 512. Due to internal capacity, the service has been forced to use more expensive external placements. A further +c£0.3m is due to a high demand for contact services and +c£0.4m for support/high demand for taxi services, both for looked after children. Staffing relates to +c£0.2m from savings yet to be achieved, and +c£0.1m from high levels of agency staff for sickness cover within the looked after children team. The directorate have identified an action plan of +c£1.3m to reduce the overspend as reported.

**Social Care & Inclusion – net nil forecast**

- Access, Assessment & Care Management -c£0.1m. Mainly due to vacant posts.
- Provision -c£0.2m. Vacant posts within Home Care team.
- Social Care Management -c£0.1m. Deferred management and consultancy costs, and Assistant Director vacancy.
- Safeguarding +c£0.1m. Due to 3.5 FTE adult safeguarding practitioners.
- Joint Commissioning +c£0.4m. This represents the overspend on mental and disability placements following the achievement of forecast entitlement savings. The overspend in 2009/10 was +c£2.7m so the forecast shows progress achieved in tackling this ongoing issue. The 2010/11 overspend is being offset by the directorate action plan.